

Message Text

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ACTION EB-07

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SUBJ: INDIAN REACTION TO MEETINGS OF INTERIM AND DEVELOPMENT
COMMITTEES

REF: STATE 012373

1. AT A FORMAL PRESS CONFERENCE IN NEW DELHI ON JANUARY 16, M.G. KAUL, SECRETARY OF FINANCE MINISTRY FOR ECONOMIC AFFAIRS AND HEAD OF INDIAN DELEGATION TO IMF JAMAICA MEETINGS, REPORTED ON THE RESULTS OF THE INTERIM COMMITTEE AND DEVELOPMENT COMMITTEE MEETINGS FROM THE INDIAN POINT OF VIEW. KAUL COMMENTED EXTENSIVELY ON AGREEMENTS REACHED IN INTERIM COMMITTEE, BUT ALSO REFERRED TO CERTAIN "DISAPPOINTING" FEATURES.

2. ON THE POSITIVE SIDE KAUL DESCRIBED THE BENEFITS FOR INDIA AND OTHER DEVELOPING COUNTRIES OF THE DECISIONS TO EXPAND THE CREDIT TRANCHE AVAILABILITIES, LIBERALIZATION OF THE COMPENSATORY FINANCING SCHEME, MOVEMENT ON THE THIRD WINDOW, AGREEMENT ON "SUBSTANTIAL ENLARGEMENT" OF THE IDA REPLENISHMENT, AND DECISIONS REGARDING THE ESTABLISHMENT OF THE SPECIAL
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TRUST FUND. ONE PRESS ACCOUNT QUOTES KAUL AS SUMMING UP THAT

"ON BALANCE THE DEVELOPING COUNTRIES HAVE GAINED SUBSTANTIALLY."

3. NEGATIVE FEATURES WHICH KAUL ALSO ALLUDED TO IN PRESS CONFERENCE WERE CONTINUED NON-ACCEPTANCE OF SDR-AID LINK AND DELAY IN FRESH ALLOCATION OF SDR'S. HE COMMENTED ON DEVELOPED COUNTRY REFUSAL TO EXTEND OIL FACILITY INTO 1976, BUT NOTED THAT FACILITIES STILL HAD \$600 MILLION TO LEND. HE ALSO NOTED THAT FINAL DECISION ON CREDIT TRANCHE EXPANSION AND LANGUAGE ON IDA REPLENISHMENT REPRESENTED SIGNIFICANTLY LESS THAN LDC'S HAD SOUGHT.

4. WHILE KAUL EVIDENTLY DOWN-PLAYED NEGATIVE ASPECTS OF THE MEETINGS, PRESS TREATMENT OF HIS CONFERENCE WAS MIXED. SEVERAL PAPERS EMPHASIZED VOLUME OF ADDITIONAL FINANCING WHICH WOULD BE AVAILABLE TO INDIA. OTHERS SPOKE OF MIXED ACHIEVEMENTS WHILE PRESTIGIOUS FINANCIAL EXPRESS HEADLINED STORY "KINGSTON MEET DISAPPOINTING". PRESS COVERAGE OF THE MEETINGS THEMSELVES HAD SIMILARLY CARRIED BOTH POSITIVE AND NEGATIVE CAST. WHILE PAPERS IN GENERAL REPORTED POSITIVE DECISIONS TAKEN AT THE MEETING US CAME IN FOR HEAVY CRITICISM FOR "BLOCKING" KEY DECISIONS OF INTEREST TO LDC'S.

5. COMMENT: KAUL'S PRESS CONFERENCE INDICATES THAT GOI OFFICIALS FULLY UNDERSTAND POSITIVE BENEFITS TO BE DERIVED FROM DECISIONS TAKEN AT KINGSTON MEETINGS. WE WILL HOWEVER BE TAKING UP SUBSTANCE OF REFTTEL AT APPROPRIATE LEVEL AS PART OF CONTINUING DIALOGUE WITH GOI ON THESE ISSUES.
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